MONTHLY REVIEW

of Credit and Business Conditions

Second Federal Reserve District

Federal Reserve Agent | *Federal Reserve Bank, New York* | *December 1, 1929*

Money Market in November

The past few weeks have been a period of readjustment in the credit situation following the severe decline in security prices which reached its lowest point on November 13.

The weekly reports made by the New York City banks of their loans to brokers and dealers in securities, both for their own account and the account of their customers, have shown a continuous decline since the middle of October which has brought the totals of these loans from $6,801,000,000 on October 16 to $3,450,000,000 on November 27. It appears from these figures that the amount of money borrowed by brokers and dealers for the purpose of carrying securities has been cut practically in half in a period of six weeks.

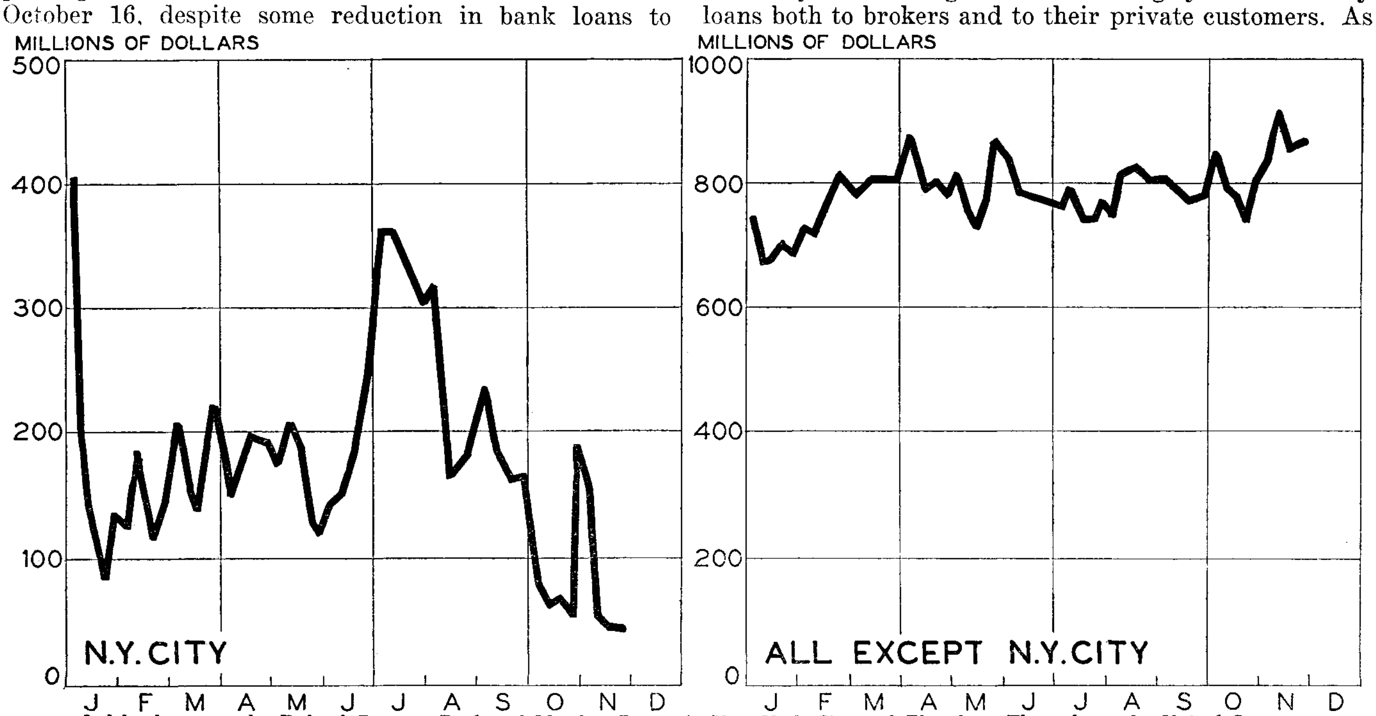
These figures taken alone, however, might give a misleading impression as to the changes in the total volume of security loans for the country as a whole. For a very large amount of loans against securities is made, not through brokerage houses, but by banks directly to their customers, and the available evidence indicates that in this period bank loans upon securities made directly to customers have increased rather than decreased and hence the total security loans of the reporting member banks have shown no net decrease from October 16, despite some reduction in bank loans to brokers. The liquidation has been almost wholly in loans by lenders other than banks. The figures which are available to show these changes are given in the following table.

(In millions of dollars)

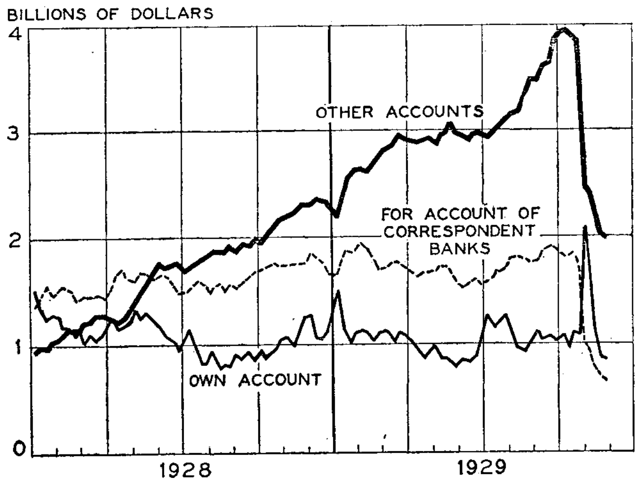
Date	Loans to brokers and dealers in securities placed by New York City Banks for—				[2]Total loans on securities by Reporting Member Banks
	Own account	[1]Out-of-town banks	Others	Total	
Oct. 16	1,095	1,831	3,875	6,801	7,875
23	1,077	1,733	3,823	6,634	7,920
30	2,069	1,005	2,464	5,538	9,179
Nov. 6	1,520	963	2,399	4,882	8,746
13	1,156	812	2,204	4,172	8,369
20	853	704	2,031	3,587	7,991
27	831	638	1,982	3,450	7,889

[1]Probably includes considerable amounts of loans made by out-of-town banks in behalf of their customers.
[2]These banks represent about half of the resources of all commercial banks in the United States; figures include all of brokers loans shown in first column and part of loans shown in second column.

As indicated in last month's Review, one of the first movements of funds in connection with the stock market liquidation was a rapid withdrawal of funds from the market by lenders other than New York City banks. In order to prevent a serious money stringency accompanying the decline in security prices, these banks found it necessary at this stage to increase largely their security loans both to brokers and to their private customers. As



Indebtedness at the Federal Reserve Banks of Member Banks in New York City and Elsewhere Throughout the United States



Loans to Brokers and Dealers in Securities Placed by New York City Banks for Own Account, for Out-of-Town Banks, and for Other Lenders

the liquidation in security prices continued, however, the release of funds was sufficient not only to meet further withdrawals of funds by these other lenders but to enable the banks as well to reduce their loans to brokers and dealers to a more normal level.

As the demands for security loans have decreased, and as the cumulative effect of increases in open market holdings of Government securities by the Reserve Banks has been felt, money conditions have grown easier. These factors making for easier money were more than sufficient to offset the effect of a substantial gold export movement, and the month-end and holiday demand for currency which made itself felt in the last few days of November. The changes in money rates in the past two months are shown in the accompanying table.

Money Rates at New York

	Nov. 30, 1928	Sept. 30, 1929	Oct. 31, 1929	Nov. 29, 1929
Stock Exchange call loans	*6½–10	*8–10	*6	*4½
Stock Exchange 90 day loans	7	9–9¼	6	4¾
Prime commercial paper	5¼–½	6¼	6–6¼	5–5¼
Bills—90 day unindorsed	4½⅝	5⅛	4⅝	3¾–⅞
Customers' rates on commercial loans	†5.48	†6.07	†6.07	†5.73
Treasury certificates and notes				
Maturing March 15	4.20	4.62	3.97	3.41
Maturing June 15	4.20	4.63	4.05	3.13
Federal Reserve Bank of New York rediscount rate	5	6	6	4½
Federal Reserve Bank of New York buying rate for 90 day bills	4½	5⅛	5	4

* Range for preceding week
† Average rate of leading banks at middle of month

As in the case of loans to brokers, the statistics of money rates in the New York money market might well give a misleading impression as to the changes in credit conditions throughout the country as a whole. The rapid easing in the money position in the past two months was at first to an unusual degree confined to New York City. For causes which are not wholly ascertainable but which probably include calls for margin when stock prices were declining, and more recently investments by out-of-town buyers, the tendency for funds to flow toward New York was so considerable that the surplus funds which appeared in the money market did not at first easily find their way to other parts of the country.

During the major part of the month of November the New York City banks after liquidating almost all of their indebtedness to the Federal Reserve Bank of New York, held reserves considerably in excess of the requirements. As usual, when their reserves are excessive, the banks were ready to sell or lend these excesses to other banks on a day-to-day basis, and the rates at which such sales were made indicate the extent to which surplus funds were available. On a number of days during the month of November these surplus funds, quoted in the market as Federal funds, were sold at rates as low as 1½ or 2 per cent. Under these circumstances, a number of out-of-town banks borrowed these funds from the New York banks on a day-to-day basis, and used them to reduce their indebtedness at their Reserve Banks. In this way the amount of surplus funds in New York was gradually reduced toward the end of the month and the quotation for Federal funds rose to 4½ per cent.

The diagrams on the preceding page illustrate how recent easing tendencies have been localized in New York. The extent to which banks find it necessary to resort to the Reserve Banks to supplement their own supplies of funds is one of the best indexes of credit conditions. The charts indicate that whereas the New York City banks have reduced their indebtedness at the Reserve Bank from about $300,000,000 early in August to around $50,000,000 throughout most of November, the banks in other districts have made no corresponding reduction. As surplus funds in any single center ordinarily distribute themselves more rapidly throughout the country the relative illiquidity of funds during this period was somewhat unusual and appears to have been due to such temporary causes as the large movement of funds in connection with security market activity and some hesitation in the employment of funds. At the very end of November an increase in bank borrowing, particularly in New York City, reflected the temporary demand for currency over the Thanksgiving holiday and the end of the month.

Effective November 15 the discount rate of the Federal Reserve Bank of New York, which had been reduced from 6 to 5 per cent on November 1, was reduced ½ per cent further to 4½. Reductions from 5 to 4½ per cent during November were made also by the Federal Reserve Banks of Boston and Chicago.

Bill Market

During the first three weeks of November the investment demand for bills continued in good volume, though purchasing was not as heavy as in the latter part of October. The demand, which included not only substantial foreign orders but also buying by domestic banks and corporations, was materially in excess of the new bills which came into the market. Reflecting this situation the dealers continued to lower their rates, so that by the 21st of the month 30 to 90 day unendorsed bills were being offered at a range of 3¾-⅞ per cent, or about ¾ per cent below the level of the opening of the month and 1¼ per cent below the figure quoted before rate reductions began in October. Longer bills showed corresponding decreases; the 4 months maturity reached an offering level of 3⅞-4 per cent, and 5 and 6 months bills 4-4⅛ per cent. These are the lowest rates quoted for bankers bills since May 1928.

In the final week of November, the supply of bills coming on the market increased substantially, especially during the last few days of the month, and was considerably in excess of the somewhat reduced demand. During this period, dealers' portfolios of bills about doubled, as compared with the low level prevailing in the third week of the month.

Reflecting the large demand for bills from other sources, offerings of bills to the Reserve Banks during November were insufficient to replace maturities, so that the Reserve System's portfolio of bills showed a continuous decline, and on November 27 was $122,000,000 below the high point of October 23, compared with an increase of $81,000,000 during the same period of 1928.

Commercial Paper Market

During November there was an excellent investment demand for commercial paper. Paper dealers reported, in addition to good sales in the Middle and Southwest, and in New England, that New York City bank buying for out-of-town correspondents was in larger volume than in some time, and that some buying was done by New York banks for their own account.

The improved demand and the general easing of money rates were reflected in a substantial decline in open market commercial paper rates. Whereas at the opening of the month the prevailing level for prime names was 5¾-6 per cent, by the end of November the bulk of the paper was being sold at 5-5¼ per cent, though some paper was also moving at 5½ per cent. This is the lowest rate level since July 1928. As offering rates were reduced, dealers quoted lower rates to borrowers in order to obtain paper to meet the increased demand.

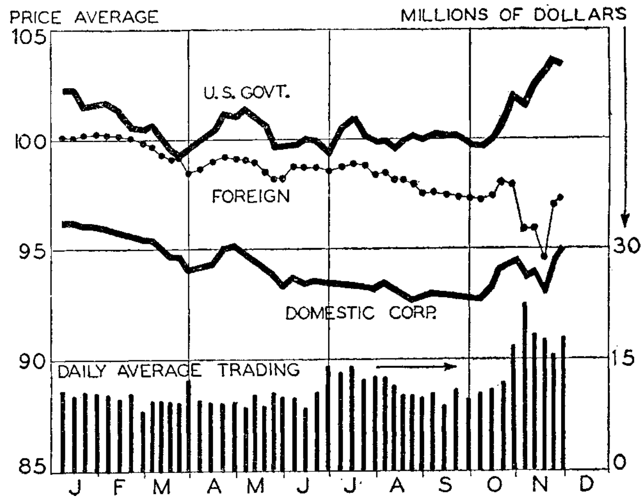
In October the first material increase in a number of months occurred in outstandings of commercial paper. The amount outstanding through 23 dealers at the end of that month was 8 per cent larger than a month earlier, but, at $286,000,000, remained 32 per cent smaller than a year ago.

Security Markets

Following a temporary upturn during the last two days of October, the stock market resumed its downward course until November 13. Closing prices for that day were in general about 45 per cent below the highest points and at approximately the same levels as in March 1928, when the unprecedented price advances of the past two years may be said to have begun.

During the ten days after November 13, there was a marked recovery of prices which amounted on the average to more than one-fourth of the previous decline. This advance was followed by irregular movements during the closing week of the month, which resulted in a small net decline, and at the end of the month the general level of stock prices was still 34 per cent below the high points, though 18 per cent above the lowest point reached on the recession.

Considerable strength was evident in bond prices during the second half of November, and, in the case of United States Government issues, throughout the month. Under the influence of easing money conditions,



Price Movements of U. S. Government, Foreign, and Domestic Corporation Bonds, and Volume of Bond Trading on the New York Stock Exchange

an average of the prices of the eight Government bond issues now outstanding rose nearly 2 points, following a similar advance in October, and reached a new high level for the year, about 1 point above that of January. Domestic corporation bond issues, which in October showed signs of beginning a definite advance, but which were under pressure while the stock market was declining, moved rapidly forward in the second half of November, and quotations of representative issues were about the highest of the past half year. An average of 40 representative foreign bonds had a larger setback in the first part of November than domestic corporate issues, due in large measure to acute weakness in Brazilian bonds; in the second half of the month, however, there was a substantial recovery.

New Financing

Final figures for the month of October indicate considerable curtailment of domestic corporate security issues following the unprecedented total for September. The October volume of new domestic corporate financing at $675,000,000, exclusive of refunding issues, was $525,000,000 less than September flotations, due to a drop of nearly $600,000,000 in stock issues, chiefly of investment trusts and trading companies. New bond offerings at $235,000,000 were the largest since May. Compared with a year ago, the October 1929 total was $120,000,000 larger, with about one-third of the increase in bond issues and the balance in stock flotations. Bond and note financing by municipalities and States likewise increased from September to October and was somewhat larger than last year. October foreign financing in this country was more than twice as heavy as in the previous month, but continued below the level of 1928.

In November, unfavorable conditions in the security markets were reflected in a further decline in the amount of new securities offered. A number of States and municipalities took advantage of the easier money conditions to float bond and note issues, though the total amount involved was less than half the municipal financing of the previous month. There was a virtual cessation of stock issues, not only of investment trusts and financial trading and holding companies, but also of industrial, public utility, and other types of companies. In addition, a number of concerns, whose stockholders' rights to subscribe to additional stock became payable during November, deferred the payment dates to December or into the new year. The month's total, both for domestic and foreign issues, will probably prove to be the smallest since at least August 1928, when summer dullness, a congestion of new issues, and the development of tight money conditions were important factors in the curtailment of security flotations.

Gold Movement

The month of November showed a net loss of gold to this country of more than $26,000,000. Most of the loss was through foreign exchange transactions, the first net loss of that character in any month since June 1928. Exports amounted to about $30,000,000, of which $14,500,000 was shipped to France, $10,002,000 to Switzerland, and $5,010,000 to Poland. The receipt of $1,800,000 from Argentina accounted for the bulk of the imports. There was a net decrease of $1,000,000 in gold earmarked for foreign account, which, together with the net exports, reduced the net gain to the country for the calendar year to $202,000,000.

France continued to draw gold from England during November but to a smaller degree than in the preceding months. The November withdrawals from England were more than offset by arrivals of gold at the Bank of England from Argentina, South Africa, and New Zealand. Argentina continued to lose gold also to Berlin and Paris.

The rapid change in this country from an import to an export movement of gold is in some respects comparable to the change which took place in 1927. From January through August 1927, there were net imports of $146,800,000 of gold; then a reversal set in and from September through December, exports totaled $140,700,000. This change accompanied a rapid easing of money rates in this country relative to rates abroad.

Foreign Exchange

After continuing their October strength until mid-November, the European exchanges eased off until the 22nd when they recovered their earlier firmness. Sterling maintained its strength throughout the month, dropping below $4.87½ only on the 18th and 20th, and was quoted around $4.87 15/16 as the month closed. French francs ruled above $0.0394 until November 4 after which they declined gradually to $0.0393⅜ on the 20th, but on the 25th they had recovered to $0.0393 15/16, or slightly higher than the calculated outgoing gold point. Reichsmarks were subject to somewhat wider fluctuations; they sold at $0.2392¼ on the 1st, fell to a low of $0.2389½ on the 18th, and rose to around $0.2394 on the 29th. Belgas declined from $0.1399¾ on the 2nd to $0.1398 on November 19th, and again on the 22nd, but subsequently rose to $0.1399½, which is above the theoretical gold export point. Dutch guilders early in the month were strong at $0.4037½, fell on the 18th to $0.4031½, and improved later to better than $0.4036. Swiss francs, contrary to the general tendency, gained steadily from a low of $0.1935¼ on November 7 to $0.1941½ on the 29th, the highest in recent years. Lire were irregular and declined to about $0.0523½ after recording a new high since May 4 ($0.0524 1/16) on November 2.

Scandinavian currencies continued the strength they gained towards the end of October, with Swedish crowns in the lead at $0.2691 on the 29th, and Danish and Norwegian crowns closing the month firmly around $0.2680. The Spanish peseta continued the decline begun on October 14 and weakened steadily to $0.1373 on November 26.

Though traders in the Japanese yen had largely discounted the news, the announcement of a stabilization credit and of the date of resumption of free gold movements carried this exchange above $0.49 on November 20 and 21, a movement which was followed by a reaction to $0.4886 on the 26th. Both Canadian dollars and Argentine pesos were weak during November. The former ruled at a discount of $0.02 and over from November 12 to 18, and sold at around $0.99 near the month-end. The peso fluctuated weakly around $0.94.

Central Bank Rate Changes

During the month of November, ten European central banks reduced their official rate of discount; of these, two banks—those of Holland and Danzig—effected two successive reductions. The first revision of rates followed the announcement of a reduction of one-half per cent to 6 per cent in the Bank of England rate on October 31, and the lowering of the New York bank rate from 6 to 5 per cent effective November 1. On November 1 the Netherlands Bank, which has increased its gold and foreign exchange holdings $16,700,000 since the end of June, bringing its gold ratio to nearly 54 per cent, lowered its rate by one-half per cent to 5 per cent. The earlier rate had been in force since March 25. On the next day, November 2, the Reichsbank rate, which had stood at 7½ per cent since April 25, was lowered to 7 per cent. The Reichsbank has acquired $84,000,000 in fresh reserves since the end of June; its reserve ratio is about 63 per cent, and its currency is firm on all the foreign exchange markets. The withdrawal of funds from stock exchange employment in Berlin was one cause which contributed to easier money in that center and brought about a readjustment of both private and official rates. On the 2nd also the Bank of Danzig lowered its rate from 6½ to 6 per cent. On the 4th the National Bank of Hungary, whose rate had stood at 8 per cent since April 24, effected a half per cent reduction to 7½ per cent. This bank also has made a small gain in reserves since the middle of the year. The drain upon its foreign assets in the past has been towards New York and Berlin, where an easier position is now present.

A second series of rate reductions began towards the middle of November. On the 14th the National Bank of Belgium, where a 5 per cent rate had ruled since August 1, lowered its rate to 4½ per cent. This bank has added over $21,000,000 to its reserves since the end of June and had at last report a reserve ratio of 57.7 per cent.

Here too a stock exchange slump released funds for use in the Brussels money market proper. Coincident with the reduction of one-half per cent in New York on November 15, the Warsaw rate was lowered by the Bank of Poland from 9 to 8½ per cent. The Polish central bank is in a strong position (reserve ratio 61.4 per cent on November 10); internal credit conditions are reported easier than at any time since last autumn; and the foreign trade of the country has shown successive export balances since July. A second reduction of one-half per cent to 4½ per cent was effected by the Netherlands Bank on November 16.

On the 21st, the Bank of England again lowered its rate one-half per cent to 5½ per cent. Its bullion holdings are £3,300,000 greater than at the time of the October 31 reduction; its banking reserve is greater by £7,500,000 and the reserve proportion has risen from 30.1 to 35.8 per cent. This change in bank rate was followed on the 22nd by a lowering of the Bank of Norway rate to 5½ per cent from the 6 per cent rate established on September 27. On the 23rd the Austrian National Bank moved its rate downward from 8½ to 8 per cent, the earlier rate having been in force since September 28; and the Bank of Danzig effected a second half per cent reduction to 6 per cent. On the 26th the National Bank of Rumania rate was reduced from 9½ per cent, where it had stood since May 14, to 9 per cent. Satisfactory export sales of the last wheat crop have brought additional foreign assets into the central bank and increased its reserve ratio to over 47 per cent at last report.

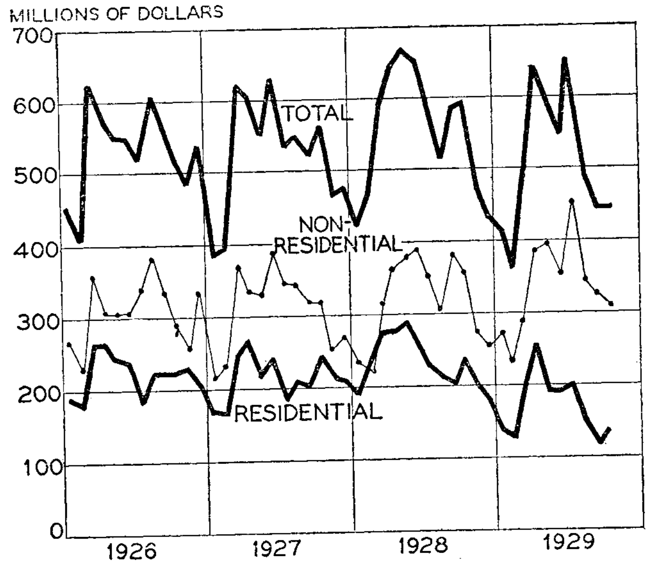
The Bank of the Republic of Colombia raised its rate by one per cent to 9 per cent on November 20, following an outflow of gold to New York in October and a consequent tightening of money at Bogota. The Reserve Bank of Peru moved its rate up from 7 to 8 per cent on the 13th, and back again to 7 per cent on the 23rd of November.

Building

October building contracts awarded in the 37 States east of the Rockies were about the same as in September, but were 25 per cent smaller than in October 1928, a slightly larger year-to-year decrease than occurred in September. Residential contracts, although somewhat above the low level of September, were still 43 per cent below the volume of October 1928, and public works and utility projects declined further to a figure 43 per cent below a year ago; other principal classes of non-residential work, however, compared favorably with last year's volume. The accompanying diagram shows the recent trend of building contracts, both for residential work and for non-residential projects.

The total value of building contracts awarded during the first 10 months of this year has been 12 per cent smaller than in the corresponding period of 1928, and during the first three weeks of November there has been a decline from last year's level of more than one-third in the daily average amount of contracts awarded.

In the New York and Northern New Jersey district, contracts awarded during October, though 25 per cent above the previous month, were 46 per cent smaller than



Building Contracts Awarded in 37 States
(F. W. Dodge Corporation figures)

the total of October 1928. Residential contracts continued well below last year's level, and commercial building was smaller, but the largest decline was in public works and utility projects. Construction of this type was less than one-quarter that of October 1928, which was, however, a month when a particularly large volume of public construction was contracted for.

Business Profits

Earnings reports of 220 industrial and mercantile companies show net profits for the third quarter 17 per cent larger than those of the corresponding quarter of 1928, a considerably smaller increase over a year ago than was reported in the preceding six months, when the increase averaged well over 30 per cent. In 1928 the trend of corporate profits was slightly upward from the second to the third quarter, accompanying a rising level of business activity, whereas this year profits were smaller in the third quarter than in the second. The decline of third quarter net profits this year corresponded closely with the movement in 1927 and considerably exceeded the seasonal reduction that took place in 1926.

Entering largely into the less favorable showing of the third quarter was a drop of 17 per cent below last year's level in the net profits of automobile manufacturing companies, which at the end of the half year were somewhat ahead of 1928. Aside from this and a small decline in net earnings of building supply companies, however, all other groups of concerns had larger profits than a year ago.

For the completed nine months of the year ended with September, net profits of these same 220 companies aggregated 26½ per cent more than the figure for the corresponding three quarters of 1928, and 51½ per cent more than in the same period of 1927. The only decline as compared with 1928 was one of 3 per cent in the profits of the motor car companies.

Telephone company net profits in the third quarter were 10 per cent higher than a year ago, and for the completed nine months showed an increase of 8 per cent.

Earnings of other public utility companies were approximately 17 per cent above last year, slightly less than the increase for the first six months. Net operating income of Class I railroads increased somewhat less between the second and third quarters than was the case in 1928, but exceeded by a small amount the figure for the third quarter of 1926, which was the previous high point of railroad earnings for recent years. So far in 1929, net operating income of the railroads has been 17 per cent larger than 1928, and 8 per cent above the high nine months figure of 1926.

(Net profits in millions of dollars)

Corporation groups	No.	Third quarter		Nine months		
		1928	1929	1927	1928	1929
Motors	12	108	89	255	311	302
Motor parts and accessories (exclusive of tires)	16	13	13	20	32	41
Oil	25	53	57	71	103	132
Steel	12	49	86	119	129	250
Railroad equipment	5	3	4	13	9	12
Food and food products	27	32	40	89	93	108
Machine and machine manufacturing	18	12	13	27	32	40
Copper	7	9	13	12	22	37
Coal and coke	6	1	2	6	3	6
Other mining and smelting	12	8	12	17	21	35
Chemicals	10	18	21	41	48	59
Building supplies	11	8	8	19	17	20
Tobacco	4	3	3	7	7	8
Amusement	4	5	10	14	18	27
Electrical equipment	6	20	25	47	54	71
Miscellaneous	45	53	63	110	140	168
Total 16 groups	220	395	459	867	1039	1316
Telephone (net operating income)	98	59	66*	173	188	203*
Other public utilities	95	192	224	561	623	732
Total public utilities	193	251	290*	734	811	935*
Class I railroads (net operating income)	180	358	397	810	821	960

* Partly estimated

Production

The trend of industry in general continued in October to be downward, and a majority of this bank's indexes showed declines from September, after allowance for the usual seasonal changes. Comparisons with a year ago were less favorable than in recent months, and, after allowance for the usual growth of industry, a majority of the lines shown in the following table were lower than a year previous.

This tendency is illustrated in the accompanying diagram, which compares the recent trend of activity in several of the leading industries with that of the previous two years. Production of steel ingots in October did not show the usual seasonal increase, and output of automobiles was down more than usual. Copper production showed about the usual seasonal increase, but as in the case of both steel and automobiles was substantially under the levels of last spring and was also lower than a year ago. Other declines, after seasonal allowance, were shown in production of pig iron, lead, zinc, petroleum, coke, and wheat flour, in deliveries of tin, in slaughterings of live stock, and in wool mill activity.

Consumption of raw cotton increased more than usual in October, and compared favorably with the levels of the previous two years, but prospects of a curtailment of mill activity were reported in November. Other increases after seasonal allowance occurred in mill consumption of raw silk, in mining of anthracite coal, in sugar meltings, and in production of newsprint paper.

Output of steel declined considerably in November, whereas usually there is only a small decrease, and the output of automobiles was reported to have been much curtailed. Average daily production of coal and of petroleum also was lower than in October.

(Adjusted for seasonal variations and usual year-to-year growth)

	1928	1929		
	Oct.	Aug.	Sept.	Oct.
Producers' Goods				
Pig iron	112	129	122r	118
Steel ingots	120	134	134	115
Cotton consumption	101	99	99	103
Woolen mill activity	94	101	95	91p
Silk consumption	99	109	102	116
Petroleum	112	120	116	115p
Bituminous coal	89	83	88	88
Coke	106	121	116	115
Copper, U. S. mines	121	112	115r	115
Lead	100	96	107	103
Zinc	94	104	101	92
Tin deliveries	103	110	121	100
Leather, sole	116	109	101r	107
Cement	123	124	118	113
Paper, total	105	107	102	
Wood pulp	101	111	103	
Consumers' Goods				
Live stock slaughtered	102	99	108	101
Wheat flour	95	99	90	86
Sugar meltings, U. S. ports	103	102	71	89
Gasoline	104	104	103	
Anthracite coal	114	79	102	111
Paper, newsprint	91	91	86	90
Tobacco products	105	106	107	107
Boots and shoes	103	123	113	114p
Tires	142	93	89	91p
Automobile, passenger	104	122	112	93
Automobile, truck	114	110	101r	110

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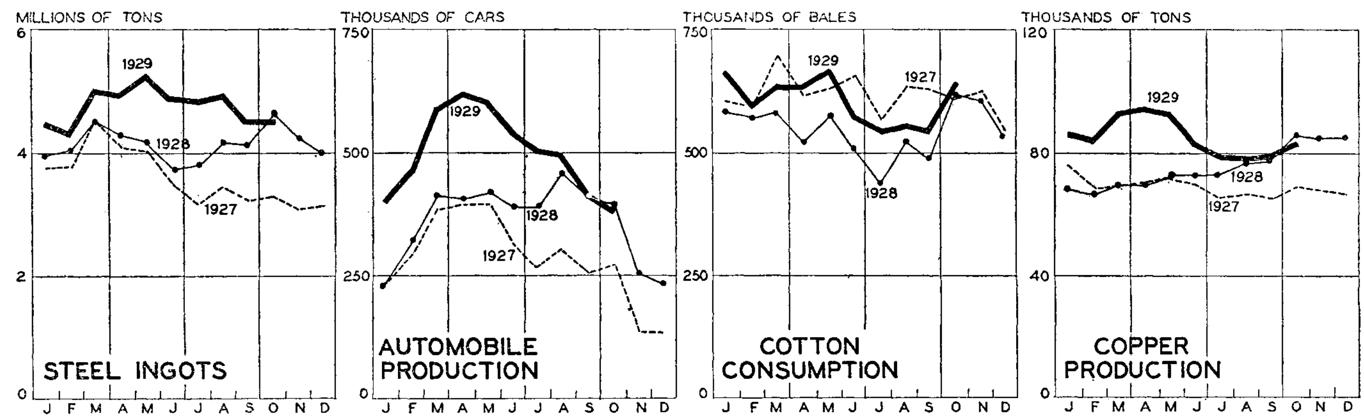


Production of Steel Ingots, Automobiles, and Copper, and Mill Consumption of Cotton in 1929 Compared with 1927 and 1928

Indexes of Business Activity

Car loadings both of merchandise and miscellaneous and of bulk freight declined in October, when usually there is little change or perhaps a slight increase, and showed less than the usual year-to-year growth over a year previous. Retail distribution of goods also was lower than in September, after seasonal allowance, but the foreign trade of this country was higher.

(Adjusted for seasonal variations and usual year-to-year growth)

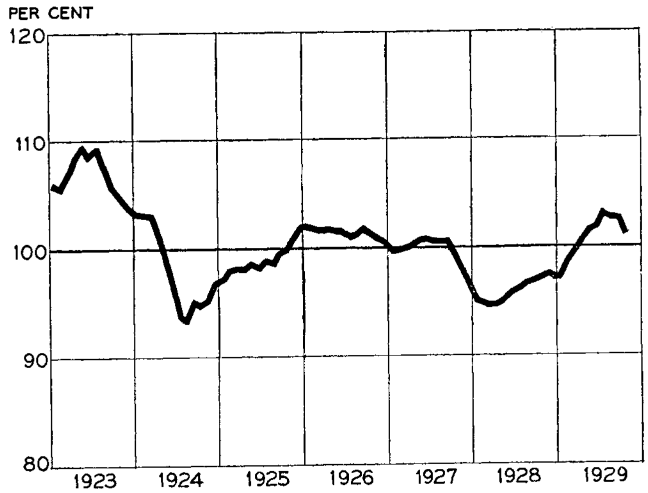
	1928	1929		
	Oct.	Aug.	Sept.	Oct.
Primary Distribution				
Car loadings, merchandise and misc. *r*	100*r*	101*r*	100*r*	98*r*
Car loadings, other	97	97	96	92
Exports	105	100	97	100*p*
Imports	111	122	116	124*p*
Panama Canal traffic	89	92	84	
Wholesale trade	98	107	103	105
Distribution to Consumer				
Department store sales, 2nd Dist.	94	99	104	98
Chain grocery sales	99	96	92	93
Other chain store sales	101	103	103	99
Mail order sales	105	139	134	119
Life insurance paid for	98	101	111	99
Advertising	95	99	103	100
General Business Activity				
Bank debits, outside of N. Y. City	106	117	116	116
Bank debits, New York City	164	195	203	218
Velocity of bank deposits, outside N. Y. City	117	135	135	137
Velocity of bank deposits, N. Y. City	188	228	242	244
Shares sold on N. Y. Stock Exchange	389	404	426	540
Postal receipts	88	87	81	86
Electric power	109	110	108	
Employment in the United States *r*	100*r*	103*r*	103*r*	102*r*
Business failures	115	109	99	103
Building contracts, 36 States	136	96	99	92
New corporations formed in N. Y. State	126	113	107	108
Real estate transfers	84	78	76	73
General price level	177	182	183	181
Composite index of wages	224	227	229*r*	228
Cost of living	172	174	173	173

p Preliminary *r* Revised

Employment and Wages

The number of workers employed in representative New York State factories increased less than usual in October. Instead of showing the customary increase of about 4½ per cent from July to October, factory employment this year increased only 2.8 per cent. It was reported that the failure of employment to increase as much as usual in October was due largely to a decline instead of the usual rather substantial increase in the metal industries. The largest losses were in the iron and steel and automobile groups. The level of factory employment in the State still remained relatively high, however, as the accompanying diagram shows. The number of workers employed in October was the largest for any October since 1926, and, excepting only the period from May to September of this year, the seasonally adjusted index was also the highest since 1926. Figures for the country as a whole give similar indications; there was a decline in October, after seasonal adjustment, but except for the period from April to September, the index was the highest since 1926.

Additional indication of somewhat less satisfactory employment conditions is afforded by the rate of voluntary labor turnover. This rate declined in September, instead of showing the usual substantial seasonal in-



Index of Factory Employment in New York State, 1925-1927 = 100 per cent (N. Y. State Department of Labor figures adjusted for seasonal variations; 1923-1927 adjusted to census data)

crease, and continued to decline in October, reaching a lower level than a year ago. This indicates that employees did not find the usual increase in employment opportunities this autumn, and that conditions for changing their employment were less favorable than they were a year previous. The ratio between orders for workers and applications for employment at New York State employment bureaus has also compared less favorably with a year previous in recent weeks.

The total amount of factory payrolls in New York State declined slightly in October, when usually there is a seasonal increase, and average weekly earnings of factory operatives also showed a decline. Average weekly earnings of factory office workers, which are calculated once a year by the State Department of Labor, were $36.94 in October, compared with $36.37 a year previous, thus continuing the gradual rise of recent years. This latest figure shows an increase of 93 per cent over 1914, an increase well in excess of the rise in the cost of living, but considerably less than the percentage increase in earnings of factory operatives.

Foreign Trade

Both imports and exports of merchandise during October showed more than the usual seasonal increases over the previous month. Exports, valued at $530,000,000, were $20,000,000 smaller than a year ago, however, while imports, valued at $392,000,000, were $37,000,000 larger.

Crude foodstuffs, chiefly grains, were the only export products less in value than in September. The failure of grain exports to show the usual increase for this period is partially explained by the comparatively early crop movement this year. The value of grain products shipped in October 1929 was less than half that of a year ago, but due to heavy shipments early in the season, the value for the four months ended October 1929 was about 21 per cent under that for the corresponding period in 1928. Shipments abroad of finished and partly finished manufactures continued to show gains over a year ago, but the value of other groups of exports declined.

All groups of imports showed increases over the previous month, and all except manufactured foodstuffs, mainly sugar, showed considerable increases over a year ago. Quantity receipts of coffee, crude rubber, and raw silk were greater than either in the previous month or in October 1928. The quantity of raw silk imported slightly exceeded the previous record of two months ago.

Department Store Trade

A preliminary inquiry concerning November business in a number of the large New York City stores indicated that sales during the first half of the month averaged about 6 per cent smaller than a year previous. The decline was reported to be in luxury lines; sales of other types of merchandise were reported to be continuing in about the usual volume. Specific reports as to certain luxury lines such as jewelry and diamonds indicate that even in these lines sales were in some cases better than a year ago.

The October reports of leading department stores in this district showed an unusually large increase in sales over a year ago, especially in New York, where there was an increase of 8 per cent, the largest since August 1927.

Substantial increases in October were reported also in Southern New York State, the Hudson River Valley District, the Capital District, and the Westchester District. Rochester and Bridgeport reported slightly more than the usual increases, but Buffalo, Syracuse, and Northern New York State department stores continued to report decreases in sales as compared with a year previous. The reporting apparel stores continued to show a substantial increase in sales over last year.

Stocks of merchandise showed a substantial increase during October in preparation for the holiday trade, but were only 1 per cent higher than a year ago at the end of the month. Collections on charge accounts outstanding were slightly lower than in October 1928, but preliminary indications were that collections in November were somewhat better than last year.

The apparel departments were prominent among those showing the largest increase in sales in October, as the following table shows.

Locality	Percentage change October 1929 compared with October 1928		Per cent of accounts outstanding September 30 collected in October	
	Net sales	Stock on hand end of month	1928	1929
New York	+ 8.1	+ 1.7	56.3	52.9
Buffalo	— 2.7	— 2.5	45.0	43.2
Rochester	+ 4.5	+ 7.7	47.1	42.9
Syracuse	— 6.0	+ 7.7	36.7	33.8
Newark	+ 2.4	— 4.2	46.0	48.5
Bridgeport	+ 4.4	+ 2.3	....	....
Elsewhere	+ 6.0	+ 4.3	42.4	42.7
Northern New York State	—19.1	....	....	....
Central New York State	+ 0.4	....	....	....
Southern New York State	+ 6.7	....	....	....
Hudson River Valley District	+ 5.9	....	....	....
Capital District	+15.3	....	....	....
Westchester District	+ 5.4	....	....	....
All department stores	+ 6.2	+ 1.1	51.1	49.4
Apparel stores	+ 7.4	+ 2.7	48.7	49.7

	Net sales percentage change Oct. 1929 compared with Oct. 1928	Stock on hand percentage change Oct. 31, 1929 compared with Oct. 31, 1928
Women's and Misses' ready-to-wear	+22.6	— 6.4
Toys and sporting goods	+13.1	— 1.0
Women's ready-to-wear accessories	+12.7	+ 5.1
Men's and Boys' wear	+12.2	— 4.8
Hosiery	+ 9.7	— 6.1
Furniture	+ 9.0	+ 1.1
Shoes	+ 7.7	+ 0.9
Linens and handkerchiefs	+ 7.3	+ 3.2
Books and stationery	+ 7.2	+ 6.2
Luggage and other leather goods	+ 7.1	+ 5.9
Home furnishings	+ 6.0	+14.6
Men's furnishings	+ 5.7	— 3.0
Toilet articles and drugs	+ 5.6	— 7.1
Cotton goods	+ 3.7	+ 2.2
Silverware and jewelry	+ 0.8	— 0.2
Woolen goods	— 9.2	— 9.4
Silks and velvets	—12.9	—15.4
Musical instruments and radio	—35.2	+ 5.4
Miscellaneous	— 3.0	— 2.7

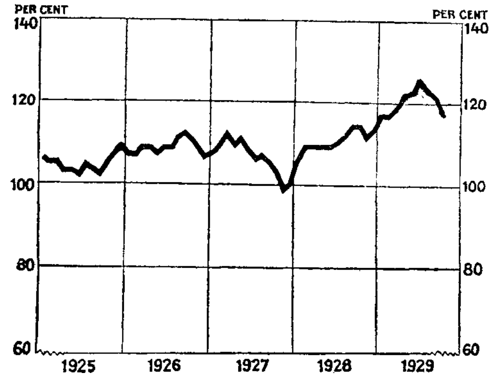
Wholesale Trade

October sales of reporting wholesale firms in this district showed substantial seasonal increases in most lines, and were larger than a year previous in a majority of cases. The average increase over October 1928 was not large, however, as sales in that month were of unusual volume. Sales of groceries, stationery, and paper continued the increases over last year which have been reported for a number of months, and sales of drugs, shoes, and jewelry also were higher than in October 1928. Quantity sales of silk goods reported by the Silk Association showed a substantial increase over last year, and orders reported by the National Machine Tool Builders' Association were 13 per cent above the large volume of October 1928. Sales of men's clothing and diamonds, however, showed decreases of 11 and 20 per cent, respectively, compared with last year.

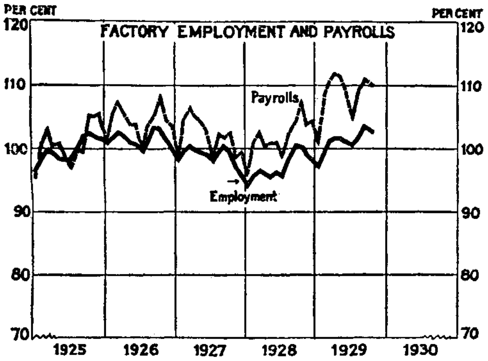
Stocks of groceries and drugs continued to be larger than last year, while a decline was reported in the stocks of cotton goods, silk goods, shoes, hardware, and diamonds and jewelry. Collections averaged a little slower than last year, but there were considerable differences in various lines.

Commodity	Percentage change October 1929 compared with September 1929		Percentage change October 1929 compared with October 1928		Per cent of accounts outstanding September 30 collected in October	
	Net sales	Stock end of month	Net sales	Stock end of month	1928	1929
Groceries	+15.2	+16.4	+ 2.0	+ 6.4	77.9	76.1
Men's clothing	—21.1	....	—11.0	....	39.0	39.3
Cotton goods	+19.6	— 3.3	+ 0.6	— 6.8	....	....
Silk goods	+ 1.6*	+ 1.8*	+13.0*	— 0.6*	46.2	48.0
Shoes	—10.4	— 6.4	+ 4.1	—23.5	54.2	49.9
Drugs	+32.7	— 3.2	+ 8.8	+29.0	44.8	37.9
Hardware	+21.8	— 4.7	0	—10.6	48.1	49.7
Machine tools**	+33.8	....	+13.4	....	....	....
Stationery	+19.6	....	+13.4	....	46.4	52.4
Paper	+10.8	....	+ 5.0	....	62.9	71.2
Diamonds	—14.9	— 1.2	—19.9	—13.3	23.4	27.4
Jewelry	+31.6		+ 1.4			
Weighted Average	+ 6.9	....	+ 1.2	....	54.0	53.5

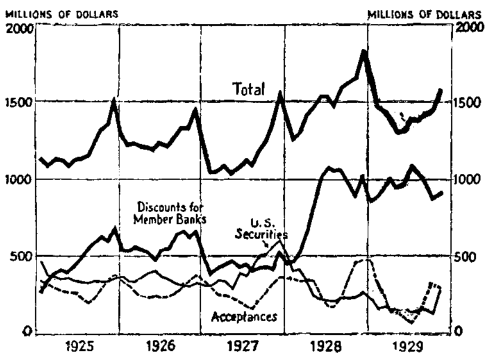
* Quantity not value. Reported by Silk Association of America
** Reported by the National Machine Tool Builders' Association



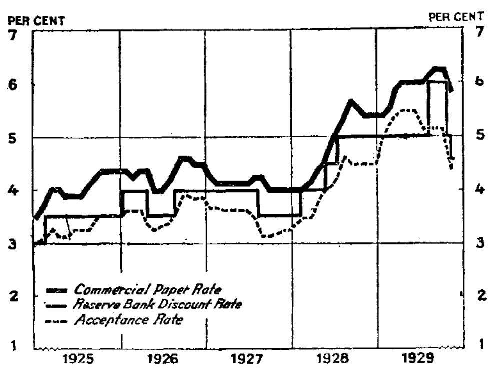
Index Number of Production of Manufactures and Minerals Combined, Adjusted for Seasonal Variations (1923-25 average = 100 per cent)



Index Numbers of Factory Employment and Payrolls, Without Adjustment for Seasonal Variations (1923-1925 average = 100)



Reserve Bank Credit (Monthly averages of daily figures for 12 Federal Reserve Banks; latest figures are averages of first 21 days in November)



Money Rates in the New York Market (November rates are averages for first 20 days)

Business Conditions in the United States

(Summarized by the Federal Reserve Board)

INDUSTRIAL production declined further in October, and there was also a decrease in factory employment. As compared with a year ago, industrial activity continued to be at a higher level, and distribution of commodities to the consumer was sustained. Bank credit outstanding increased rapidly in the latter part of October, when security prices declined abruptly and there was a large liquidation of brokers loans by nonbanking lenders. In the first three weeks of November further liquidation of brokers loans was reflected in a reduction of security loans of member banks. Money rates declined throughout the period.

Production

Production in basic industries, which had declined for several months from the high level reached in midsummer, showed a further reduction in October. The Board's index of industrial production decreased from 121 in September to 117 in October, a level to be compared with 114 in October of last year.

The decline in production reflected chiefly further decreases in output of steel and automobiles. Daily average output of shoes, leather, and flour also declined, while production of cotton and wool textiles increased. Preliminary reports for the first half of November indicate further reduction in output of steel and automobiles, and a decrease in cotton textiles.

Total output of minerals showed little change. Production of coal increased, and copper output was somewhat larger, while daily output of crude petroleum declined slightly for the month of October and was further curtailed in November.

Volume of construction, as measured by building contracts awarded, changed little between September and October and declined in the early part of November.

Distribution

Shipments of freight by rail decreased slightly in October and the first two weeks in November, on an average daily basis. Department store sales continued as in other recent months to be approximately 3 per cent larger than a year ago.

Wholesale Prices

The general level of wholesale prices showed little change during the first three weeks of October, but in the last week of the month declined considerably. The decline reflected chiefly price reductions of commodities with organized exchanges, which were influenced by the course of security prices. During the first three weeks of November prices for most of these commodities recovered from their lowest levels. Certain prices, particularly those of petroleum, iron and steel, and coal, showed little change during the period.

Bank Credit

Following the growth of $1,200,000,000 in security loans by New York City banks during the week ended October 30, when loans to brokers by out-of-town banks and nonbanking lenders were withdrawn in even larger volume, there was a liquidation of these loans, accompanying the decline in brokers loans during the first three weeks of November. All other loans increased and there was also a growth in the banks' investments.

Reserve Bank credit, after increasing by $310,000,000 in the last week of October, declined by about $120,000,000 in the following three weeks. On November 20 discounts for member banks were about $100,000,000 larger than four weeks earlier, and holdings of United States securities were $190,000,000 larger, while the banks' portfolio of acceptances declined by $100,000,000.

Money rates in New York declined rapidly during October and the first three weeks in November. Open-market rates on prime commercial paper declined from 6¼ per cent on October 22 to 5½-5¾ per cent on November 20; during the same period rates on 90-day bankers acceptances declined from 5⅛ per cent to 3⅞ per cent; rates on call loans were 6 per cent during most of this period, but declined to 5 per cent in the third week of November. Rates on time loans also declined.

The discount rate of the Federal Reserve Bank of New York was lowered from 6 to 5 per cent, effective November 1, and to 4½ per cent, effective November 15, and the discount rates of the Federal Reserve Banks of Boston and Chicago were lowered from 5 to 4½ per cent effective November 21 and November 23.